

ABOVE BAR (SOUTHAMPTON) LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011



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SCT 05/05/2012 #42
COMPANIES HOUSE

Director

A J N Hewitt

Company Secretary

Lloyds Secretaries Limited

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

DIRECTOR'S REPORT**For the year ended 31 December 2011**Director

A J N Hewitt

The Director submits his report and audited accounts of Above Bar (Southampton) Limited ("the Company") for the year ended 31 December 2011.

Principal activity

The Company's principal activity is property investment and there has been no change in that activity during the year.

Results and dividends

The profit after tax for the Company for the year ended 31 December 2011 is £29 (2010: £294,184). The Director does not recommend the payment of a dividend in 2011 (2010: nil).

Going concern

As set out in Note 2 - 'Going Concern - Principles underlying going concern assumption' of the Notes to the financial statements, the Director is satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Directors and their interests

The Director at the date of this report is as stated above.

The Director served throughout the year.

The Director had no interest in any material contract or arrangement with the Company during or at the end of the year.

Director's indemnity

The Director has the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision". This contract was in force during the financial year and remains in force.

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors as at 31 December 2011, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2010: nil).

DIRECTOR'S REPORT (continued)
For the year ended 31 December 2011

Auditors and disclosure of information to Auditors

The Director in office at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By Order of the Board



A J N Hewitt
Director

26/4 2012

Company Number SC145711

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 £	2010 £
Gross rental income	3	702,868	702,868
Gross profit		702,868	702,868
Valuation gain on investment property	9	-	300,000
Other expenses	4	(22,020)	(4,625)
Operating profit before financing costs		680,848	998,243
Financial income	5	1,505	1,641
Financial expenses	5	(739,404)	(735,375)
Net financing costs		(737,899)	(733,734)
(Loss)/Profit before tax		(57,051)	264,509
Income tax credit	6	57,080	29,675
Profit after tax for the year		29	294,184
Attributable to:			
Equity shareholder		29	294,184
Profit after tax for the year		29	294,184

The notes on pages 10 to 22 are an integral part of these financial statements.

The operating profit for the year arises from the Company's continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 £	2010 £
Profit for the year	<u>29</u>	<u>294,184</u>
Total comprehensive income for the year	<u>29</u>	<u>294,184</u>
Total comprehensive income attributable to equity shareholder	<u>29</u>	<u>294,184</u>
Total comprehensive income for the year	<u>29</u>	<u>294,184</u>

Items in the statement above are disclosed net of tax.

The notes on pages 10 to 22 are an integral part of these financial statements.


BALANCE SHEET

As at 31 December 2011

	Note	2011 £	2010 £
Assets			
Investment property	9	7,800,000	7,800,000
Total non-current assets		7,800,000	7,800,000
Income tax receivable	7	25,056	9,937
Cash and cash equivalents	10	323,969	368,252
Total current assets		349,025	378,189
Total assets		8,149,025	8,178,189
Equity			
Share capital	11	100	100
Retained earnings		(577,197)	(577,226)
Total equity		(577,097)	(577,126)
Liabilities			
Deferred tax liabilities	8	524,510	566,471
Interest-bearing loans and borrowings	13	7,950,000	7,950,000
Total non-current liabilities		8,474,510	8,516,471
Trade and other payables	14	251,612	238,844
Total current liabilities		251,612	238,844
Total liabilities		8,726,122	8,755,315
Total equity and liabilities		8,149,025	8,178,189

The notes on pages 10 to 22 are an integral part of these financial statements.

The financial statements on pages 5 to 22 were approved by the Board of Directors on 26/1/2012 and were signed on its behalf by:



 A J N Hewitt
 Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Share Capital	Retained Earnings	Total Equity
	£	£	£
Balance at 1 January 2010	100	(871,410)	(871,310)
Profit for the year			
Profit after taxation	-	294,184	294,184
Total comprehensive income	-	294,184	294,184
Balance at 1 January 2011	100	(577,226)	(577,126)
Profit for the year			
Profit after taxation	-	29	29
Total comprehensive income	-	29	29
Balance at 31 December 2011	100	(577,197)	(577,097)

The notes on pages 10 to 22 are an integral part of these financial statements.

CASH FLOW STATEMENT**For the year ended 31 December 2011**

	Note	2011 £	2010 £
Cash flows from operating activities			
Operating profit before financing costs		680,848	998,243
Adjustment for non cash items:			
Increase/(Decrease) in trade and other payables		8,739	(1)
Fair value adjustment of investment property	9	-	(300,000)
Cash generated from operations		<u>689,587</u>	<u>698,242</u>
Income taxes received		-	10,704
Net cash from operating activities		<u>689,587</u>	<u>708,946</u>
Cash flows from investing activities			
Interest received		1,505	1,641
Interest paid		(735,375)	(735,375)
Net cash used in investing activities		<u>(733,870)</u>	<u>(733,734)</u>
Net decrease in cash and cash equivalents		(44,283)	(24,788)
Cash and cash equivalents at 1 January		368,252	393,040
Cash and cash equivalents at 31 December	10	<u>323,969</u>	<u>368,252</u>

The notes on pages 10 to 22 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011**1. Significant accounting policies**

Above Bar (Southampton) Limited ("the Company") is a company incorporated and domiciled in Scotland.

The financial statements were authorised for issue by the Director on 26/4 2012.

(a) Financial statements

The financial statements of Above Bar (Southampton) Limited comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement together with the related Notes to the financial statements.

The financial statements are presented in Sterling which is the Company's functional and presentational currency.

(b) Statement of compliance

The 2011 statutory financial statements set out on pages 5 to 22 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. Consequently, the financial statements comply with International Financial Reporting Standards.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(c) Basis of preparation

The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair values: investment property.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2011. None of these standards or amendments to standards has had a material impact on these financial statements.

- (i) Amendment to IAS 32 Financial Instruments: Presentation – 'Classification of Rights Issues'. Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated.
- (ii) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in the income statement representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued; the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured.
- (iii) Improvements to IFRSs (issued May 2010). Amends IFRS 7 Financial Instruments: Disclosure to require further disclosures in respect of collateral held by the Company as security for financial assets and sets out minor amendments to other IFRS standards as part of the annual improvements process.
- (iv) Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement. Applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements and permits such an entity to treat the benefit of such an early payment as an asset.
- (v) IAS 24 Related Party Disclosures (Revised). Simplifies the definition of a related party and provides a partial exemption from the requirement to disclose transactions and outstanding balances with the government and government-related entities. The Company has utilised this exemption which requires disclosure of significant transactions only with the government and government-related entities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. Significant accounting policies (continued)

(d) IFRS and IFRIC not yet applied

The following pronouncements may have a significant effect on the Company's financial statements but are not applicable for the year ending 31 December 2011 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company.

Pronouncement	Nature of change	IASB effective date
IFRS 9 <i>Financial Instruments</i> ⁽¹⁾	Replaces those parts of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015.
IFRS 10 <i>Consolidated Financial Statements</i>	Supersedes IAS 27 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>Consolidation – Special Purpose Entities</i> and establishes principles for the preparation of consolidated financial statements when an entity controls one or more entities.	Annual periods beginning on or after 1 January 2013.
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Annual periods beginning on or after 1 January 2013.
IFRS 13 <i>Fair Value Measurement</i>	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013.
IAS 19 <i>Employee Benefits</i>	Prescribes the accounting and disclosure by employers for employee benefits. Actuarial gains and losses (remeasurements) in respect of defined benefit pension schemes are no longer deferred using the corridor approach and are recognised immediately in other comprehensive income.	Annual periods beginning on or after 1 January 2013.

⁽¹⁾ IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.

At the date of this report, these pronouncements are awaiting EU endorsement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. Significant accounting policies (continued)

(e) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below.

Critical accounting estimates and assumptions

There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Critical judgements in applying the entity's accounting policies

No significant judgements have been made in the process of applying the Company's accounting policies.

(f) Rental income

Rental income from investment properties leased out under operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

(g) Investment property

Investment property comprises freehold buildings that are held either to earn rental income or for capital appreciation or both. The Company's investment property primarily relates to property held for long-term rental yields and capital appreciation. Investment property is carried in the balance sheet at fair value, being the open market value as determined in accordance with the guidance published by the Royal Institution of Chartered Surveyors. These valuations are reviewed at least annually by an independent valuation expert. Changes in fair value are recognised in the income statement for the period in which they arise. Investment properties are not depreciated.

Rental income from the investment property is accounted for as described in accounting policy 1(f).

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash balances and overdrafts held within the Lloyds Banking Group that are freely available and deposits held within Lloyds Banking Group with an original maturity of three months or less.

(i) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Interest-bearing loans and borrowings are derecognised from the balance sheet upon settlement of all monies due in connection with such borrowings or forgiveness by the lender of all indebtedness.

(j) Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. Significant accounting policies (continued)

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(l) Net financing costs

Net financing costs relate to interest payable on loans and borrowings and interest receivable on cash and cash equivalents. Interest payable is recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income is recognised in the income statement as it accrues, using the effective interest rate.

(m) Taxation

Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current income tax charge/income is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(n) Financial assets

(i) Classification

The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. The Company has classified its financial assets into the following category: loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Cash and cash equivalents' in the balance sheet (note 1(h)).

(ii) Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method less provision for impairment.

(o) Financial liabilities

(i) Classification

The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the purpose for which the financial liabilities were issued. The Company has classified its financial liabilities in the following category: other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. Significant accounting policies (continued)

(o) Financial liabilities (continued)

(i) Classification (continued)

Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. The Company's other financial liabilities comprise 'Trade and other payables' and 'Interest-bearing loans and borrowings' in the balance sheet (notes 1(j) and 1(i)).

(ii) Recognition and measurement

Other financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the Balance Sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(q) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost – the criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

If there is objective evidence that an impairment loss on a financial asset or group of financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. Significant accounting policies (continued)

(r) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indicator exists, and there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised, the previously recognised impairment loss is reversed through the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Going concern – Principles underlying going concern assumption

The Company is reliant on funding provided by Bank of Scotland plc which is a subsidiary of Lloyds Banking Group plc. The Director is satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

3. Gross rental income

	2011 £	2010 £
Rental income from Investment Properties	<u>702,868</u>	<u>702,868</u>

4. Other expenses

	2011 £	2010 £
Valuation fees	3,995	3,450
Fees payable to Company's auditor for the audit of the Company's financial statements *	18,025	1,175
	<u>22,020</u>	<u>4,625</u>

* The audit fee is agreed and paid centrally by the Company's intermediate parent, Bank of Scotland plc. This balance represents the amount internally allocated to the Company in relation to this fee for the year ended 31 December 2011.

Direct operating expenses arising from investment property that generated rental income during the year were £nil (2010: £nil).

The Company has no employees. The Director, who is considered to be key management, received no remuneration in respect of his services to the Company. The emoluments of the Director are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group, which makes no recharge to the Company. The Director is also director of a number of other subsidiaries of Lloyds Banking Group and is also substantially engaged in managing his respective business areas within the Wholesale Division of Lloyds Banking Group. It is therefore not possible to make an accurate apportionment of Directors emoluments in respect of his services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Director. The total emoluments of the Director are included in the financial statements of the ultimate parent company, Lloyds Banking Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

5. Net financing costs

	2011 £	2010 £
Interest income	1,505	1,641
Financial income	1,505	1,641
Interest on loans and borrowings	(739,404)	(735,375)
Financial expense	(739,404)	(735,375)
Net financing costs	(737,899)	(733,734)

6. Income tax credit

Recognised in the income statement

	2011 £	2010 £
Current tax		
Current tax on (loss)/profit for the year	(15,119)	(9,937)
	(15,119)	(9,937)
Deferred tax		
Origination and reversal of temporary differences	-	84,000
Adjustments in respect of prior years	-	(82,758)
Impact of change in tax rate	(41,961)	(20,980)
	(41,961)	(19,738)
Income tax credit	(57,080)	(29,675)

The income tax credit is higher (2010: higher) than the standard rate of corporation tax in the UK applied to the (loss)/profit for the year due to the following factors:

	2011 £	2010 £
(Loss)/Profit before tax	(57,051)	264,509
(Loss)/Profit multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	(15,119)	74,063
Factors affecting the (credit):		
Deferred tax credit in respect of prior periods	-	(82,758)
Impact of change in tax rate	(41,961)	(20,980)
Total income tax credit	(57,080)	(29,675)

In his Budget speech on 23 March 2011, the Chancellor announced a reduction in the rate of corporation tax to 26 per cent with effect from 1 April 2011. In addition, the Finance Act 2011 included legislation to reduce the main rate of corporation tax from 26 per cent to 25 per cent with effect from 1 April 2012. This resulted in a decrease in the Company's provision for deferred tax at 31 December 2011 of £41,961.

7. Income tax receivable

The current tax asset of £25,056 (2010: £9,937) represents the amount of income taxes receivable in respect of current and prior years.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

8. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities 2011 £	2010 £
Accelerated capital allowances	<u>524,510</u>	<u>566,471</u>

Movement in temporary differences in the year

	Balance at 1 January 2011 £	Recognised in Income £	Balance at 31 December 2011 £
Accelerated capital allowances	<u>566,471</u>	<u>(41,961)</u>	<u>524,510</u>

	Balance at 1 January 2010 £	Recognised in income £	Balance at 31 December 2010 £
Accelerated capital allowances	<u>586,209</u>	<u>(19,738)</u>	<u>566,471</u>

9. Investment property

	2011 £	2010 £
Balance at 1 January	7,800,000	7,500,000
Fair value movement	<u>-</u>	<u>300,000</u>
Balance at 31 December	<u>7,800,000</u>	<u>7,800,000</u>

The investment property was re-valued on 31 December 2011 by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The availability of consistent transactional evidence is extremely restricted.

Fair values were determined by reference to the present value of future income streams assuming the tenant exercises their option to purchase the property in 2019.

10. Cash and cash equivalents

	2011 £	2010 £
Cash at bank	<u>323,969</u>	<u>368,252</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

11. Share capital and reserves

Capital risk management

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within Lloyds Banking Group. Dividends are paid from reserves available for distribution to the parent undertaking as reported by the previously approved annual accounts according to parameters set out at a Lloyds Banking Group level so as to avoid any build up of reserve balances within the Company.

Share capital

	Ordinary Shares	
	2011	2010
	£	£
In issue at 31 December	<u>100</u>	<u>100</u>

At 31 December 2011, the authorised share capital comprised 100 £1 ordinary shares (2010: 100). All of the issued shares are fully paid.

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

12. Operating leases

The Company leases out its premises under an operating lease. The lease is for thirty years commencing on 24 July 1994 with an option for the tenant to purchase the property exercisable on the 5th to the 30th anniversary, at 5 year intervals, subject to the Company being provided with no less than 28 days and no more than 365 days prior written notice. The future minimum lease payments under non-cancellable leases are as follows:

	2011	2010
	£	£
Less than one year	702,868	702,868
Between one and five years	2,811,472	2,811,472
More than five years	<u>6,048,572</u>	<u>6,751,440</u>
	<u>9,562,912</u>	<u>10,265,780</u>

13. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see Note 15.

	2011	2010
	£	£
Non-current liabilities		
Secured bank facility	<u>7,950,000</u>	<u>7,950,000</u>

Terms and debt repayment schedule

The loan of £7,950,000 falls due for repayment to Bank of Scotland plc on 2 September 2019. The loan bears interest at a fixed rate of 9.25% per annum, interest is paid quarterly.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

14. Trade and other payables

	2011 £	2010 £
Deferred income	175,717	175,717
Non-trade payables and accrued expenses	75,895	63,127
	<u>251,612</u>	<u>238,844</u>

15. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk, foreign exchange risk and equity risk) and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management within Lloyds Banking Group ("the Group") is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash and cash equivalent balances with another Group company. The table below sets out the maximum exposure to credit risk at the balance sheet date.

	Note	2011 £	2010 £
Cash and cash equivalents	10	<u>323,969</u>	<u>368,252</u>

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances within Lloyds Banking Group and have an internal credit rating of better than satisfactory (2010: better than satisfactory). At the reporting date none of these balances were considered past due or impaired.

Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- Interest rates (interest rate risk)
- Foreign Exchange Rates (foreign exchange risk)
- Equity markets (equity risk)

Interest rate risk

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise fixed rate borrowings provided by another Group company and they are used to finance the Company's investment property. The Company does not consider itself to have any significant interest rate exposure as demonstrated by the sensitivity table below.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

15. Financial instruments (continued)

Interest rate risk (continued)

Interest rate exposure is concentrated entirely within the UK money markets. The principal internal control metric is the interest expense sensitivity which measures how much of the current projection for the next 12 months' interest expense would alter if different assumptions are made about the future levels of interest rates.

The table below sets out the sensitivity of the Company's net interest expense sensitivity over a 12 month period to an immediate up and down 25 basis points ('bps') change to all market interest rates as at the balance sheet date.

	2011 £	2010 £
Impact of +25 bps shift	810	921
Impact of - 25 bps shift	(810)	(921)

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount. Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on the interest expense.

Foreign exchange risk

Foreign exchange risk arises on assets and borrowings denominated in a currency other than Sterling. The Company has no foreign currency investments thus no sensitivity to foreign exchange exposure is considered to exist.

Equity risk

Equity risk arises from investments in listed and unlisted equity shares. The Company has no listed or unlisted equity shares thus no sensitivity to equity risk is considered to exist.

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets and liabilities. Overall liquidity of Lloyds Banking Group is managed centrally.

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the balance sheet date.

As at 31 December 2011

Maturity of contractual liabilities	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Interest-bearing loans and borrowings	-	183,844	551,531	2,941,500	9,972,281	13,649,156
Trade and other payables	3,839	-	9,600	-	-	13,439
	3,839	183,844	561,131	2,941,500	9,972,281	13,662,595

As at 31 December 2010

Maturity of contractual liabilities	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Interest-bearing loans and borrowings	-	183,844	551,531	2,941,500	10,707,656	14,384,531
Trade and other payables	3,525	1,175	-	-	-	4,700
	3,525	185,019	551,531	2,941,500	10,707,656	14,389,231

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

15. Financial instruments (continued)

Fair values

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 2011 £	Fair value 2011 £	Carrying amount 2010 £	Fair value 2010 £
Cash and cash equivalents	10	323,969	323,969	368,252	368,252
Interest-bearing loans and borrowings	13	(7,950,000)	(11,935,370)	(7,950,000)	(11,489,252)
Trade and other payables (excluding deferred income)	14	(75,895)	(75,895)	(63,127)	(63,127)
		<u>(7,701,926)</u>	<u>(11,687,296)</u>	<u>(7,644,875)</u>	<u>(11,184,127)</u>
Unrecognised losses			<u>(3,985,370)</u>		<u>(3,539,252)</u>

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Cash and cash equivalents

The fair value of cash and cash equivalents repayable on demand is considered to be equal to their carrying value.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other payables

For payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

16. Related party transactions

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits. Details of the related party transactions with Bank of Scotland plc during the year are disclosed in the table below.

Nature of Transaction	Note	Balance at 1 January 2011 £	Balance at 31 December 2011 £	Income/(expense) included in income statement for the year ended 31 December 2011 £	Income/(expense) included in income statement for the year ended 31 December 2010 £	Disclosure in financial statements £
Bank account	10	368,252	323,969	-	-	Cash and cash equivalents
Term loan	13	(7,950,000)	(7,950,000)	-	-	Interest-bearing loans and borrowings
Term loan interest accrual	14	(58,427)	(62,456)	-	-	Trade and other payables
Interest receivable on bank account	5	-	-	1,505	1,641	Financial income
Interest payable on term loan	5	-	-	(739,404)	(735,375)	Financial expenses

The term loan is at a fixed rate for the term of the loan and is secured against the investment property.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

16. Related party transactions (continued)

Nature of Transaction	Note	Balance at 1 January 2011	Balance at 31 December 2011	Income/(expense) included in income statement for the year ended 31 December 2011	Income/(expense) included in income statement for the year ended 31 December 2010	Disclosure in financial statements
		£	£	£	£	£
Audit fee paid by intermediary parent	4	-	-	(18,025)	(1,175)	Other expenses
Audit fee paid by intermediary parent	14	(1,175)	(9,600)	-	-	Trade and other payables

17. Subsequent event

On 23 March 2011, the Government announced that the corporation tax rate applicable from 1 April 2011 would be 26 per cent. This change passed into legislation on 29 March 2011. In addition, the Finance Act 2011, which passed into law on 19 July 2011, included legislation to reduce the main rate of corporation tax from 26 per cent to 25 per cent with effect from 1 April 2012. The change in the main rate of corporation tax from 27 per cent to 25 per cent has resulted in a reduction in the net deferred tax liability at 31 December 2011 of £41,961 and a £41,961 credit recognised in the income statement.

On 21 March 2012, the Government announced a further reduction in the rate of corporation tax to 24 per cent with effect from 1 April 2012. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. The additional reduction to 24 per cent is estimated to reduce the net deferred tax liability by a further £20,980 and will be reflected in the financial statements for the year ended 31 December 2012.

The proposed further reductions in the rate of corporation tax by 1 per cent per annum to 22 per cent from 1 April 2014 are expected to be enacted separately each year. The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage.

18. Parent undertakings

As at 31 December 2011 the Company's immediate parent company was Uberior Investments Limited. The company regarded by the director as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc has produced consolidated accounts for the year ended 31 December 2011. Copies of the annual report and accounts of Lloyds Banking Group plc for the year ended 31 December 2011 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418, in the case of each Director in office at the date the Directors' Report is approved:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ABOVE BAR (SOUTHAMPTON) LIMITED

We have audited the financial statements of Above Bar (Southampton) Limited for the year ended 31 December 2011 which comprise of the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



Gillian McCort (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh.

26 April 2012